

CHARTING YOUR COURSE



THE STATE OF MAINE DEFERRED COMPENSATION PLAN NEWSLETTER November 2001

Point Yourself in the Right Direction. The State of Maine Deferred Compensation Plan is a convenient and efficient way for you to build your retirement income. And, thanks to the new federal tax law — called the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 — you can enjoy even more advantages through the Plan beginning January 1, 2002. This new tax law is designed to promote retirement savings, and may have an impact on your participation in the State of Maine Deferred Compensation Plan. Let this issue of *Charting Your Course* point you in the right direction — find out how EGTRRA can affect certain Plan features, and review performance updates on specific investment funds.

WHAT'S IN THIS ISSUE

*Take
Advantage
of the New
Tax Law*

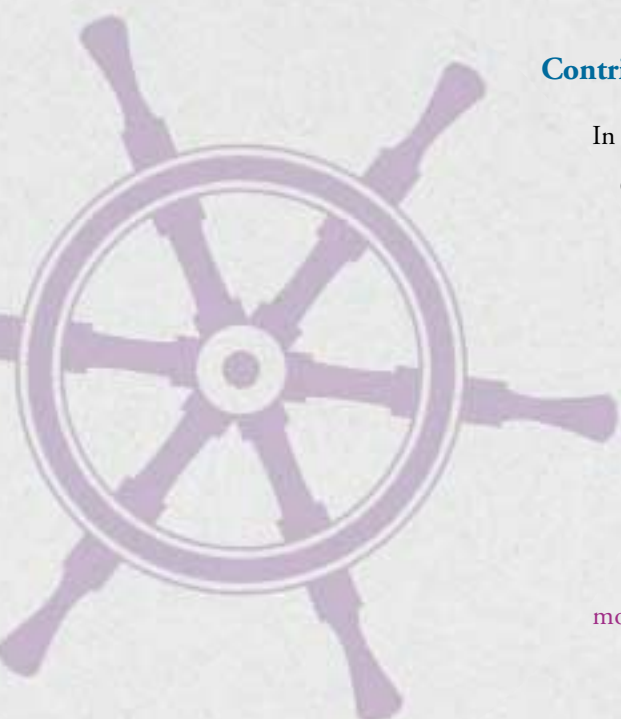
*Investment
Fund Details*



TAKE ADVANTAGE OF THE NEW TAX LAW

Getting the most out of your dollar is important to everyone. That's why it's important to understand how the new tax law will affect the State of Maine Deferred Compensation Plan. And, more importantly, how you can take advantage of what's changing. Understanding the new tax law can help you make your savings go farther.

Here is a brief overview of some of the EGTRRA changes that are effective January 1, 2002, and how you might take advantage of them.



Contribute More to the Plan

In 2002, you can contribute up to \$11,000 to the Deferred Compensation Plan, or 50% of your taxable income, whichever is less. In addition, the maximum annual contribution limit will increase by \$1,000 each year until it reaches \$15,000 in 2006.

What This Means to You — Currently the most you can contribute to the Plan each year is \$8,500 or 25% of your taxable income, whichever is less. So, in 2002, you'll have the opportunity to increase your contributions by \$2,500 or more. That means you can save even more for retirement.

Enjoy Expanded Opportunities for Catch-Up Contributions

Beginning in 2002, you can make a special catch-up contribution if you are age 50 or older. You will be allowed to contribute an additional \$1,000 over the annual contribution limit in any calendar year, as long as you reach age 50 as of the last day of that year. The special catch-up contribution limit will increase by \$1,000 each year until it reaches \$5,000 in 2006. After that, the amount will increase in \$500 increments, as needed, to reflect increases in inflation. In addition, the limit for regular catch-up contributions has been increased to \$22,000 for 2002 (two times the regular contribution limit for the year). The regular catch-up contribution limit will continue to increase as the regular annual contribution limit rises.

What This Means to You — A "catch-up" contribution allows you to make up for the contributions you could have made in the past, but didn't. Currently, you may make regular catch-up contributions during the three years before normal retirement. EGTRRA allows you to begin special catch-up contributions as early as age 50. So, you'll be able to increase your savings sooner and boost your retirement income. You should note that you will not be able to make this new catch-up contribution when you can make a regular catch-up contribution. For information on how to make a regular catch-up contribution, please contact your financial services organization.

Explore New Options for Delaying Taxes

When you retire or stop working for the State, you are eligible to receive a distribution from the Plan. You will be required to pay taxes on this distribution. Currently, you can delay paying taxes by leaving your account balance in the Plan until a later date. Beginning in 2002, you have another option. You can roll over your Plan distribution into a 401(k), 403(b) or 457 plan, an individual retirement account (IRA) or any other eligible retirement plan. What's more, if you currently have an account balance in one of these eligible plans with a previous employer (or in an IRA), you can roll that taxable money into this Plan. However, you cannot roll over withdrawals for unforeseeable emergencies.

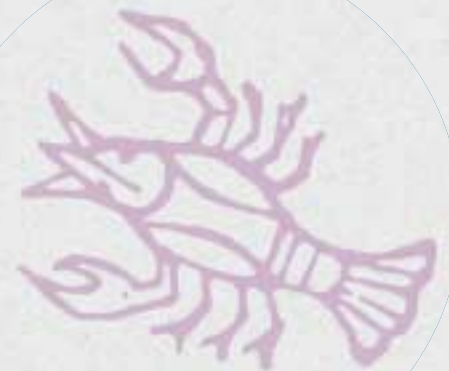
What This Means to You — Rollovers allow you to continue to defer, or delay, taxes on your Plan contributions and on any earnings that accumulate until you receive payment at a later date. And, now that you can roll over your money to and from other qualified plans and IRAs, you can combine your retirement accounts, if you choose. This enables you to direct the investment of your retirement account as a single unit and take full advantage of all the investment options offered by your financial services organization. You should consult with your financial advisor to learn the full details about rollovers if you are considering this option.

Get a Tax Credit for Lower Income Families

If you are eligible, you may receive a tax credit when you file your annual income tax return. This credit ranges from 10% to 50% of your Plan contributions, up to a maximum contribution of \$2,000. Generally, you are eligible for this credit if you are over age 18 and:

- ★ Married, with adjusted gross income of \$50,000 or less; or
- ★ Single, with adjusted gross income of \$25,000 or less.

What This Means to You — If you are eligible, you may be credited up to \$1,000 (if you contribute at least \$2,000 to the Plan). This amount will be deducted from any income taxes you owe when you file your income tax return. However, if you don't owe any taxes, you won't get a refund. This tax credit is available for tax years 2002 through 2006.





INVESTMENT FUND DETAILS

Special Notice

CitiStreet has decided to stop participating in the State of Maine Deferred Compensation Plan and will terminate services as of February 28, 2002. Participants with CitiStreet will receive details about how to transfer their account balances from CitiStreet funds into other available options in the near future.

The information presented here is not intended as investment advice. Its purpose is to help you understand the investment options available through the State of Maine's Deferred Compensation Plan. Your financial strategy and investment choices are entirely your own and should reflect your personal needs and circumstances.

State of Maine personnel, including the Human Resources Department Staff, cannot provide investment advice. For more information, you may want to consult with a professional financial advisor.

The investment information is current as of September 30, 2001.

AMERICAN GENERAL FINANCIAL GROUP (VALIC)								
		Return on Investments (net of expenses)				Operating Expenses		
		Rates of Return as of September 30, 2001						
Level of Risk	Investment Options	Quarter to Date	Year to Date	3 Year	5 Years	Management Fees	Other Expenses	Total Expenses
Low	American General Financial Group Account	*	*	*	*	NA	NA	NA
	Vanguard Long Term Bond Index	5.10%	7.78%	4.58%	8.80%	0.20%	0.42%	0.62%
	Vanguard Intermediate-Term Corporate Bond	4.91	9.24	5.52	7.35	0.25	0.42	0.67
Medium	Munder Balanced A	-9.49	-11.50	10.94	9.38	1.26	0.42	1.68
	American Funds American Balanced A	-4.71	0.81	9.01	10.85	0.66	0.42	1.08
	American Funds Investment Co. of America A	-10.34	-11.77	7.24	12.32	0.56	0.42	0.98
	Pioneer A	-14.06	-19.05	4.24	12.10	1.09	0.42	1.51
	MFS Value A	-11.24	-15.41	8.96	10.63	1.30	0.42	1.72
	Dreyfus S&P 500 Index	-14.19	-21.05	1.06	9.22	0.50	0.42	0.92
High	Oppenheimer Capital Appreciation A	-20.00	-24.01	9.80	11.36	1.06	0.42	1.48
	MFS Mass Inv. Growth A	-21.73	-34.98	1.05	11.83	0.85	0.42	1.27
	Invesco Technology Inv.	-41.55	-60.60	-2.83	0.68	0.88	0.42	1.30
	Invesco Dynamics Inv.	-35.13	-48.95	0.09	3.89	0.89	0.42	1.31
	Neuberger Berman Genesis Trust	-11.29	-3.20	14.01	12.27	1.21	0.42	1.63
	Oppenheimer Global A	-17.88	-24.74	13.56	11.70	1.08	0.42	1.50
	Putnam International Growth A	-14.00	-26.30	9.15	9.34	1.14	0.42	1.56

* Fixed Accounts provide a specified rate of return. For current rates, along with an explanation of how they are determined, contact your financial services organization.

HARTFORD LIFE INSURANCE COMPANY								
		Return on Investments (net of expenses)				Operating Expenses		
		Rates of Return as of September 30, 2001						
Level of Risk	Investment Options	Quarter to Date	Year to Date	3 Year	5 Years	Management Fees	Other Expenses	Total Expenses
Low	Hartford Life Fixed Account	*	*	*	*	NA	NA	NA
	Hartford Bond HLS	3.81%	7.15%	5.25%	7.55%	0.52%	0.45%	0.97%
Medium	Hartford Advisers HLS	-7.63	-11.35	2.58	9.21	0.66	0.75	1.41
	Janus Balanced	-6.12	-9.93	8.32	11.76	0.87	0.75	1.62
	Hartford Dividend & Growth HLS	-9.06	-10.68	5.20	10.82	0.68	0.75	1.43
	Hartford Index HLS	-14.97	-21.15	0.81	8.88	0.43	0.75	1.18
	Hartford Stock HLS	-14.55	-21.54	1.62	9.79	0.42	0.75	1.17
High	MFS Capital Opportunities	-27.96	-37.13	2.37	7.39	1.11	0.75	1.86
	Invesco Technology	-41.55	-60.50	-2.77	0.72	0.99	0.75	1.74
	Janus Twenty	-19.83	-35.71	-2.97	10.57	0.86	0.75	1.61
	MFS Massachusetts Investors Growth Stock	-21.77	-35.06	1.07	11.77	0.87	0.75	1.62
	Hartford Capital Appreciation HLS	-19.19	-18.30	16.01	12.76	0.66	0.75	1.41
	Hartford Mid Cap HLS	-17.62	-20.12	24.26	NA	0.72	0.75	1.47
	Franklin Small–Mid Cap Growth	-25.28	-36.61	10.96	5.68	0.85	0.75	1.60
	American Century International Growth	-13.58	-30.14	3.42	7.49	1.27	0.75	2.02
	Janus Worldwide	-20.95	-32.08	3.14	7.24	0.88	0.75	1.63

ING AETNA FINANCIAL SERVICES								
		Return on Investments (net of expenses)				Operating Expenses		
		Rates of Return as of September 30, 2001						
Level of Risk	Investment Options	Quarter to Date	Year to Date	3 Year	5 Years	Management Fees	Other Expenses	Total Expenses
Low	Aetna Fixed Account	*	*	*	*	NA	NA	NA
	Aetna Bond	3.99%	7.92%	5.55%	6.71%	0.49%	0.51%	1.00%
Medium	Aetna Balanced	-7.65	-10.86	3.88	7.91	0.59	0.75	1.34
	Janus Aspen Balanced	-6.06	-9.64	9.91	13.04	0.67	0.75	1.42
	Fidelity VIP Equity Income	-12.50	-13.66	4.21	8.10	0.57	0.75	1.32
	Aetna Value Opportunity	-15.88	-16.25	12.51	NA	0.73	0.75	1.48
	Aetna Index + Large Cap	-13.82	-21.09	2.45	10.67	0.45	0.75	1.20
High	Aetna Growth	-18.95	-33.07	-0.83	NA	0.71	0.75	1.46
	Janus Aspen Growth	-24.98	-34.06	0.73	6.16	0.67	0.75	1.42
	Fidelity VIP Growth	-22.18	-30.07	1.59	7.93	0.66	0.75	1.41
	Aetna Index + Mid Cap	-13.75	-14.12	14.99	NA	0.60	0.75	1.35
	Janus Aspen Aggressive Growth	-27.70	-47.28	2.56	3.04	0.67	0.75	1.42
	Pilgrim Small Cap Opportunity	-29.56	-40.18	20.98	15.74	0.90	0.75	1.65
	Aetna Small Company	-15.79	-11.52	12.58	NA	0.88	0.75	1.63
	Aetna International	-20.81	-33.40	-2.88	NA	1.15	0.75	1.90
	Janus Aspen Worldwide	-20.68	-31.78	4.11	8.84	0.70	0.75	1.45

You can contact your financial services organization below for more information about your investment options and their performance.



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**For general information
about the Plan, visit the
State of Maine website at
www.state.me.us.**